

Ladies and gentlemen,

I'm very happy to be here today at the invitation of German Industry UK to discuss with you the future of the United Kingdom and Germany as business locations.

But before I present aspects of our location policy to you, I would like to briefly tell you why the UK is so important to us as a business location.

Software AG was founded in Germany in 1969, and began its business activities in the UK shortly thereafter in 1972. Today our Group is one of Europe's largest software companies with over 5,500 employees serving customers in more than 70 countries and posting over 1 billion euros in revenues.

Interestingly, our first customer in the UK was Rolls Royce. These days many well-known names in the British business world are our customers, including Aviva, Prudential, Legal and General, and Barclays.

But our technologies are used not only by British businesses: The British government has placed its trust in technologies from Software AG for years. Vehicle registrations, NHS patient files, online tax returns and federal services via Gateway—products from Software AG enable them all.

UK Visa is also fully supported by our systems. UK Visa also provides a good example of all the areas that can be positively affected by digitizing processes. The initiative came in far below the original planned budget and the processing time for visa applications has dropped from weeks to mere days.

The history of Software AG is also a history of the software industry. From the mainframe systems that remain in widespread use around the world to this day to XML, to the latest trends of mobile computing and big data, Software AG has been and continues to be an innovation driver—thanks in no small part to our locations and employees in the UK.

Only last year did we invest heavily in technology made in the UK, Metismo and MyChannels. These two young companies will make our product portfolio fit for the future.

With almost 150 employees and growing, our British location is one of the most important to us, not least because our office in Bracknell manages all new sales markets and the company's global delivery quality.

As such, the UK and the development of positive conditions are of substantial importance to Software AG.

Therefore, I would like to go into greater detail on a few points that in our opinion are enormously important for the continued growth of good business relations between the UK and Germany.

1. Counter the shortage of trained professionals, improve training programs!

Dual training and education is highly valued in Germany. Especially in light of the shortage of trained professionals in technical fields—both in the UK and in Germany—we need to synchronize the systems better. In the UK, we have noted a fundamental difficulty in finding suitable trained professionals, particularly in sales-related areas.

British elite universities enjoy an excellent reputation all over the world, and rightfully so.

Education here is absolutely world class in every field. Nevertheless, we ask ourselves with growing concern whether these few institutions can meet the demand for well-trained professionals.

Many of the top educated people go abroad and are only available to the British labor market to a very limited extent. Software AG itself is a good example for this issue. We like to utilize British managers all over the world because their training brings together two essential characteristics: technical understanding and management skills. However, we would like to see the offering at top levels become even more diverse.

While Germany has a lack of top universities, British universities do provide the needed high-quality education but with a narrower scope than German universities. From our perspective, demand will continue to grow—especially in light of the IT boom in London.

2. Enable investment!

Growth and risk capital currently play a major role in the digital industry. Young companies and startups in particular depend on VC. The UK surely has many advantages over Germany in this area, because the VC scene is far more developed here. This issue has received greater support in recent years through targeted political measures. Nevertheless, there is still massive potential here compared to the US, in particular with regard to “true” tech startups. In this area we still concentrate too much on advertising-based Web companies instead of scalable and value adding technology companies. In the US, we see many startups that operate exclusively in the B2B market and address global megatrends, such as cloud computing, big data, mobile computing, and processes. Both in Germany and the UK, we see growth in this area as too weak or nonexistent. We need to reverse the tide here.

3. Strengthen industry structures!

London is without question Europe's most important financial center. Yet the financial crisis of recent years has shown that the transition of the British economy from industry to a monostructural service economy holds certain risks. The UK should further strengthen its industrial core, such as the aerospace industry in the East Midlands. Both in the UK as well as in Germany, the software industry will play an important role in the 21st century like industrialized manufacturing did in the last century. However, we need to build more European companies that are global market leaders. Even as Europe's fourth largest software company, Software AG is still about 100 times smaller than IBM, for example.

4. Align ownership structure and growth strategy!

The ownership structure plays a decisive role in long-term growth. We at Software AG have significant experience in this area as the anchor investor in our foundation. Not only because the company is protected from hostile takeovers, but because it enables a long-term business strategy. In addition, the Software AG Foundation and its role in society is an important, enduring reference point for our employees. Based on this ownership structure, we have developed a long-term growth strategy in recent years that represents a mix of acquisitions and organic growth. This has enabled us to strengthen customer-centric innovation while growing quickly at the same time.

5. Take note of technology trends

The digitization trend for improving efficiency and competitiveness in both the business world and public sector continues unchecked. In Germany and the UK, the level of digitization depends on the broadband infrastructure. It must be expanded further. What we still need to do is establish the digital link between business and government agencies. Using IT to reduce bureaucratic costs and restructure public budgets takes center stage here. I am very confident that we will pick up the pace quickly. If Germany and the UK work together here, we can develop enormous momentum. The British government also needs to set the right investment incentives for processes and online

services and invest in innovation as the public sector—just as it did in the past with UK Visa and other pioneering projects!

6. Digitize infrastructures!

Like all Western countries, the UK is facing the challenge of needing to modernize its five central infrastructures in the areas of energy, transportation, healthcare, education and public administration—all at the same time. Modernization of infrastructures is the digital networking of processes. Because these areas are highly regulated, public authorities play a key role in this process. The government is the central change agent and growth driver for these smart networks. If Germany and the UK work together in this area, we can quickly generate great momentum together.

7. Strengthen clusters!

Clusters are industrial crystallization centers that energize the innovative power and creativity of the individual members. They are an indispensable component of every growth policy in the international competition as business locations. The exchange of expertise between businesses is accelerated and intensified through cooperative partnerships within a cluster and region. The German software industry in particular is characterized by a high level of heterogeneity, a small scale and a relatively dense regional concentration. Successful examples in the US (Silicon Valley) and India (Bangalore) show that strengthening clusters with the help of strategic industry and cluster policies enables exponential growth. In addition, new complex IT offerings emerge more quickly when following the path of co-innovation. This requires cooperation between universities, the software industry, users and infrastructure operators. Finally, expanding existing clusters such as the German Software Cluster in and around Darmstadt or Tech City in London is crucial for strengthening Europe as an innovation location, developing global market leaders and promoting rising talent. In the future, both of these central technology hubs need to work together more closely than before. Both the British and German governments need to work harder than ever to build bridges between the clusters.

8. Keep locations appealing!

Software AG has been investing in the UK as a location for years, especially because Central Europe's growth opportunities had stagnated for a long time. The UK is and remains an important location for our company in part because two Board members have their offices in Bracknell and we have offices in Derby, Southampton and London. And of course because we have invested heavily in young technology companies here in the UK, such as Metismo und My Channels, in recent years. We are optimistic that the UK will recapture the dynamic growth it once demonstrated and join Germany as an engine for driving European business development. Let's do it together!

Thank you very much!